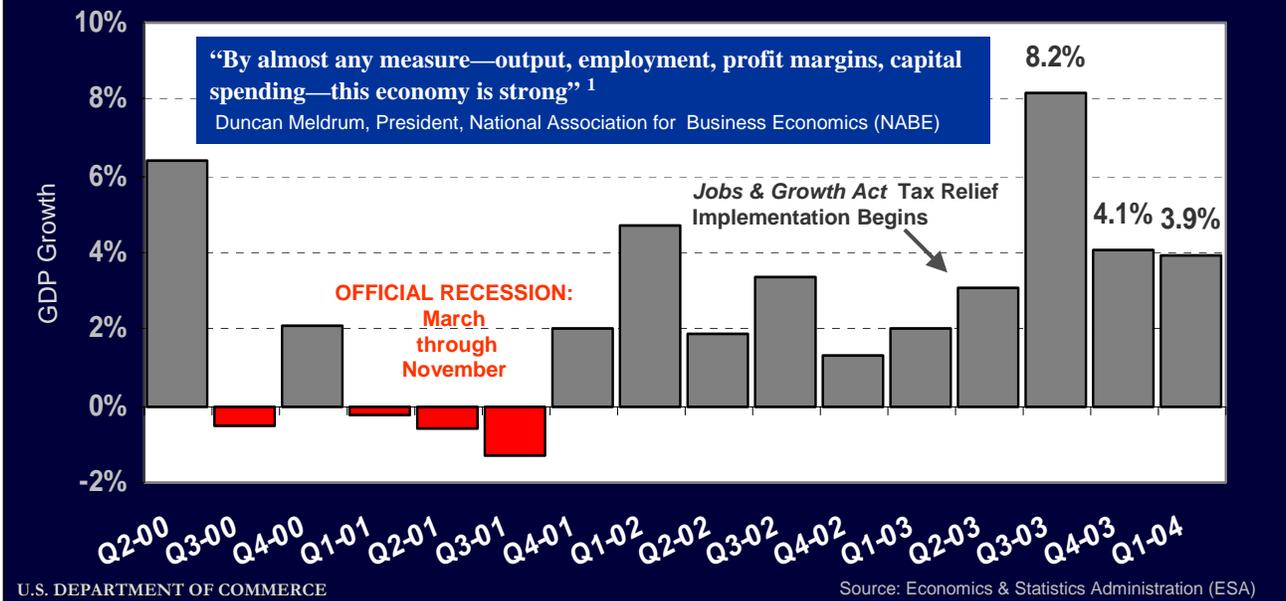


## The State of the American Economy – The Case for Optimism

- Today, the U.S. economy is *strong and getting stronger*. After experiencing a series of significant shocks during the previous years – recession, dot-com collapse and stock market meltdown, terrorist attacks, and corporate malfeasance:
  - Over the past 3 quarters, Real GDP has grown at the fastest pace in nearly 20 years. The consensus outlook among economists is for continued growth.
  - Job creation is moving into *full gear*. The economy has posted steady job gains for each of the last ten months – creating more than 1.5 million new jobs since August.
  - Inflation remains low by historical standards, with the core CPI (Consumer Price Index) and the core finished-goods PPI (Producer Price Index) both rising only 1.7 percent over the last 12 months.
  - Interest rates remain near historic lows.
- This presentation provides a snapshot of the major economic indicators - and why they make the case for optimism toward the American economy.

# Recent GDP Growth

**The U.S. economy has grown at an annual rate of 5.4% over the past three quarters - the fastest pace of growth since 1984.**



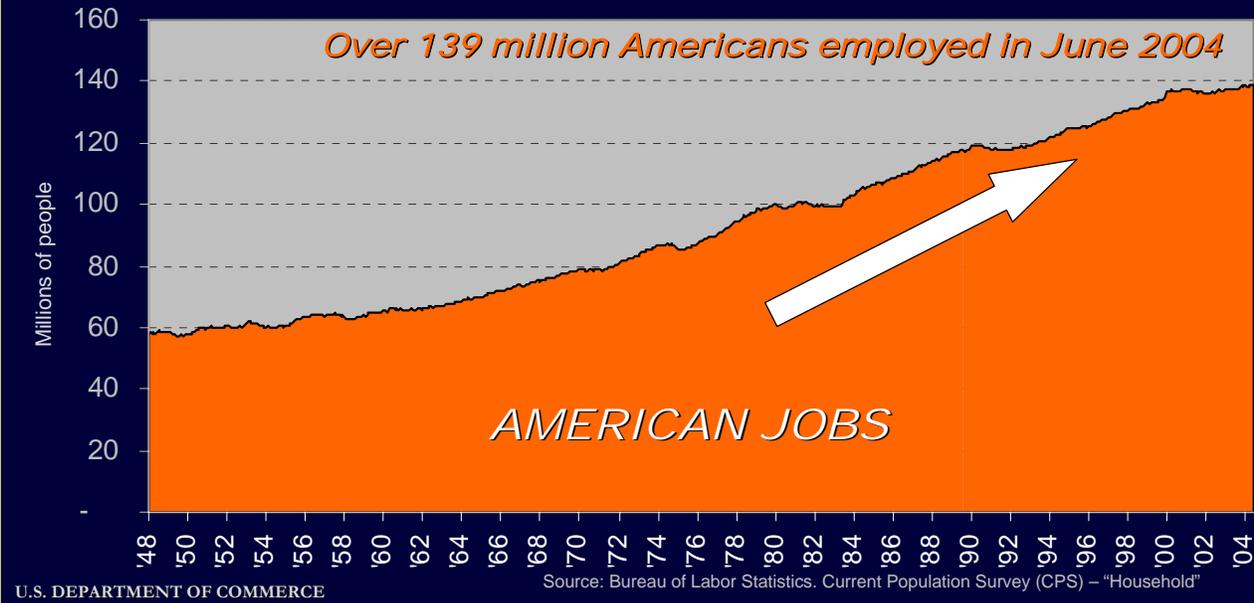
## Recent Economic Performance

- The economy clearly began showing signs of weakness in 2000, leading up to the recession that would begin in March 2001.
- Real GDP growth picked up sharply in the middle of 2003 after passage of the *Jobs & Growth Act*. Since then, it has grown at an annual rate of 5.4% -- the fastest 3 quarter pace in 20 years.
- Many economists expect 2004 economic growth to equal or exceed that of 2003:
  - The **Blue Chip Economic Indicator Survey** currently forecasts 4.5% GDP growth for 2004.
  - The **Bond Market Association's** economic advisory committee projects 4.7% GDP growth in 2004, which would be the best annual rate of growth since 1984.
- Without the President's tax relief, the U.S. Department of Treasury estimates that Real GDP would be 3.5% to 4% lower by the end of 2004.

<sup>1</sup> NABE Industry Survey. National Association for Business Economics. July 2004.

# Employment

**More Americans are working today than at any other time in our nation's history.**



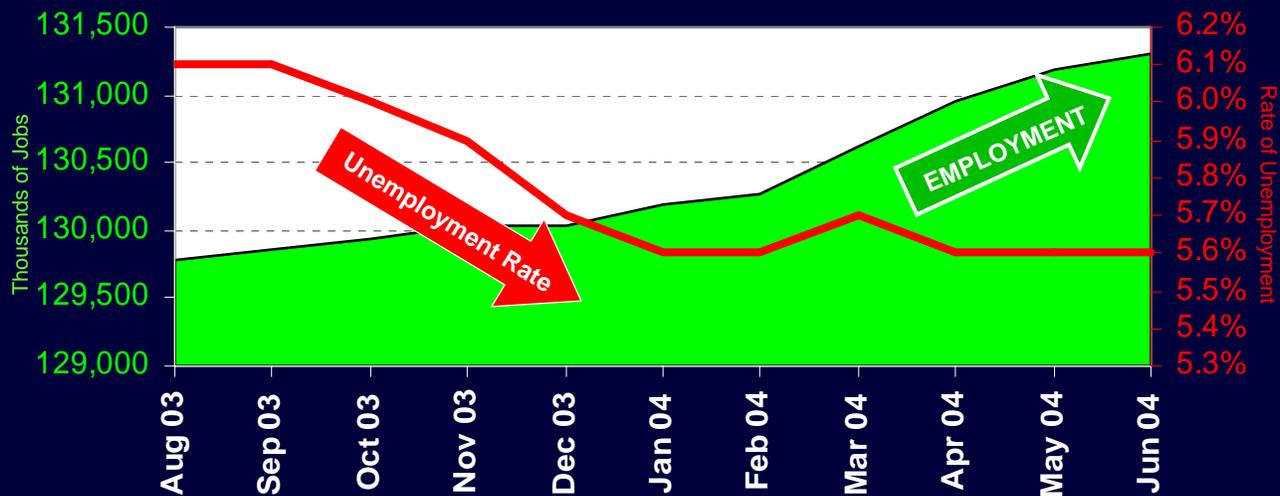
## More Americans are Working Today than at any Time in History

- According to the Department of Labor's *Current Population Survey*, over 139 million Americans are working today – more than at any other time in U.S. history.
- The Bureau of Labor Statistics predicts that over the 2002 - 2012 decade, total employment will increase by 21.3 million jobs, or 15 percent.

# Job Creation

**Over 1.5 Million Jobs Created Since August 2003**

**At 5.6%, the Unemployment Rate is below the average of the 1970s, 1980s and 1990s**



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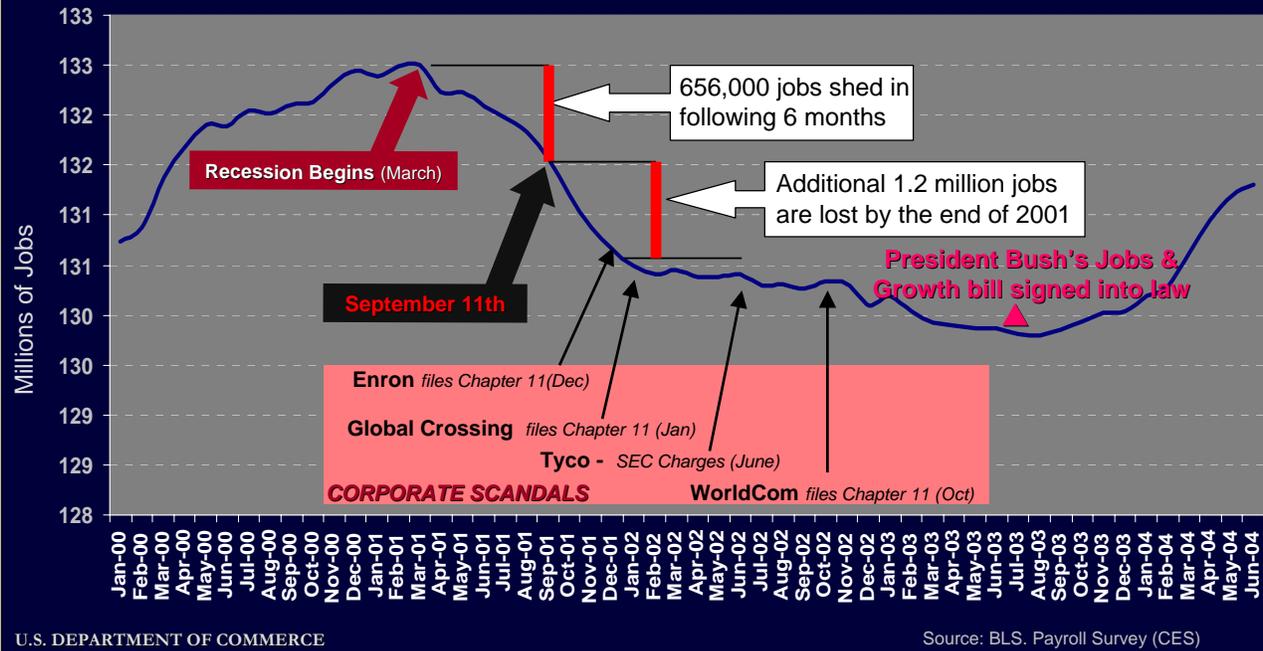
Source: Bureau of Labor Statistics. Current Employment Statistics (CES) "Payroll" & (CPS)

## Over 1.2 Million Jobs Created in 2004

- Since August 2003 the economy has created over 1.5 million private sector jobs; an average of more than 250,000 jobs have been created each month over the last 4 months.
- Many of the jobs that are being created are in **industries that pay above-average wages**, and the **employment recovery is broad based**.
  - Taking inflation into account, **take-home pay** (after-tax personal income) has grown 3.8% over the past year. This is a faster annual pace than the average pace during the 1970s, 1980s and 1990s.
  - **Hourly compensation** over the past year has grown at 2.7% - - more than twice the average annual pace of the 1990s (1.3%) and 4 times the average annual pace seen during the 1980s (0.65%), inflation adjusted.
  - **Unemployment rates have fallen across all levels of education, race, and age over the past year:**
    - For **people without a college degree**, the unemployment rate is down by 0.7 percentage point.
    - For **both African-American and Latinos**, the unemployment rate is down by 1.5 percentage points.
    - For **teenagers**, the unemployment rate is down 2.2 percentage points.
- The U.S. Department of Treasury estimated that without the tax relief packages of 2001 and 2003, unemployment would have been 1.6 % higher by the end of 2004 – **that equates to 3 million jobs**.

# Challenges to the Economy

**The U.S. economy has faced a series of unprecedented challenges...**

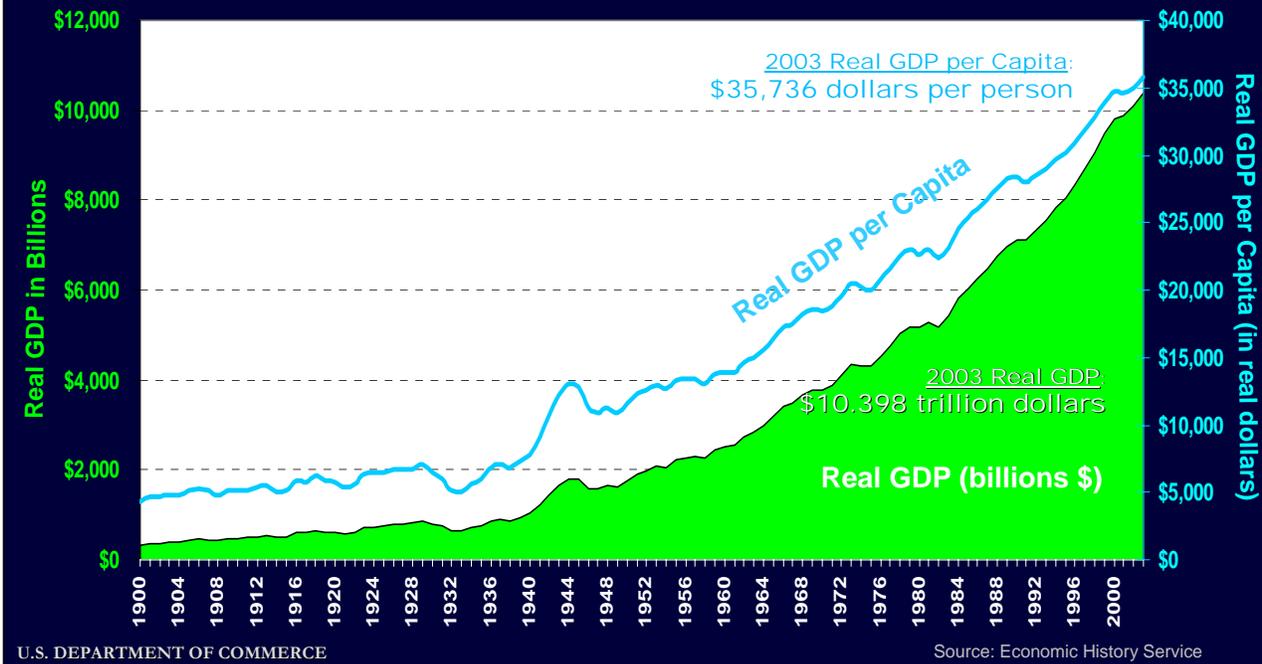


## The American Economy has Faced Serious Challenges over the Past Three Years:

- **Recession:** The President took office as we were headed into a recession. The manufacturing sector started losing jobs in August 2000, and orders for capital goods were falling. The stock market peaked in August 2000 and was declining in early 2001 when the President's term began.
- **Terrorist Attacks:** The U.S. lost nearly one million jobs in the three months following 9/11 alone. In fact, nearly 70 percent of net job losses from the end of 2000 to the low-point in August 2003 occurred in 2001 during the recession and immediately after 9/11.
- **Corporate Scandals:** Investor confidence was hurt by revelations of incomplete and misleading corporate reporting that had, in some cases, occurred years earlier. Most all business sectors were affected directly or indirectly, slowing the recovery.
- **Uncertainties of War:** The uncertainties created from fighting the war on terror slowed the recovery by weakening consumer and business confidence.

# Historical U.S. GDP

**U.S. GDP – both *Real* and *Per Capita* – are at record highs.**

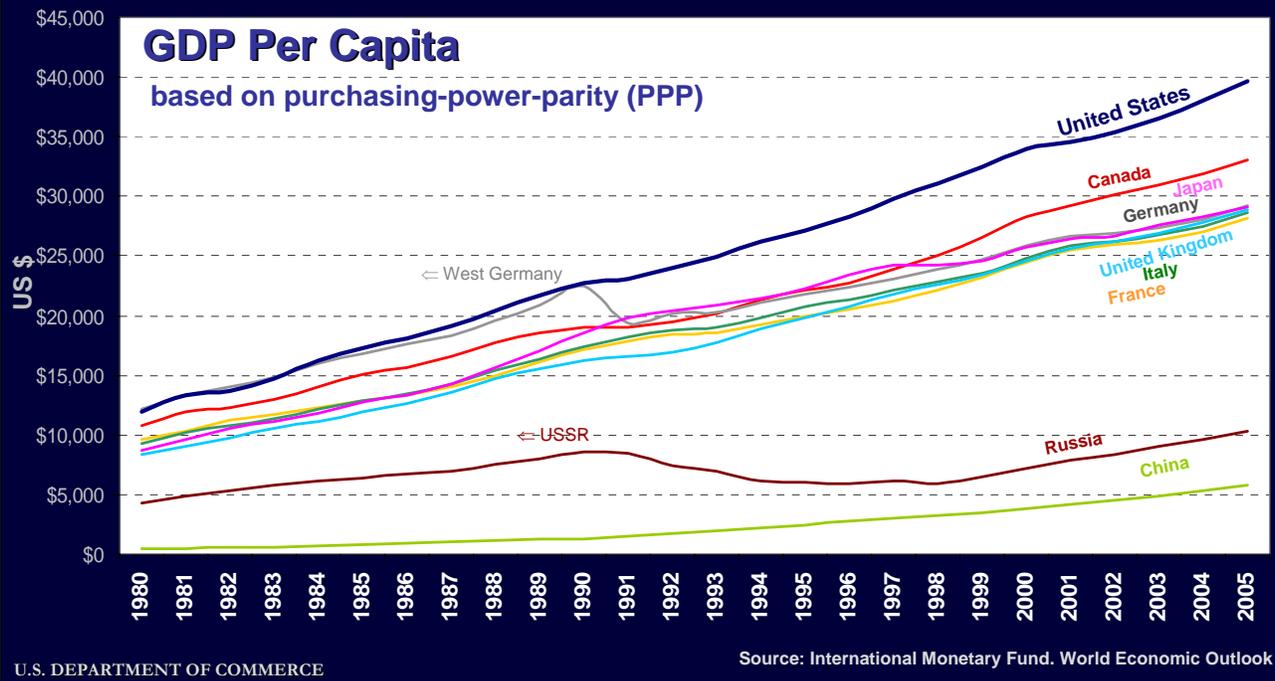


## GDP Growth Over Time: Rising Incomes, Rising Standard of Living

- The U.S. economy continues to *power ahead*. By definition, recessions are periods of *setback* in terms of expanding the value of goods and services that the U.S. produces every year, but when taken over the long-term the trend is *upward*. Today GDP – both *Real* and *Per Capita* – are at a record highs.
- The U.S. produces more than \$10 trillion in goods and services every year, making us the world's largest and most powerful economy.

# America Leads the World

**The U.S. continues to have the highest GDP *Per Capita* among the world's major industrialized countries.**

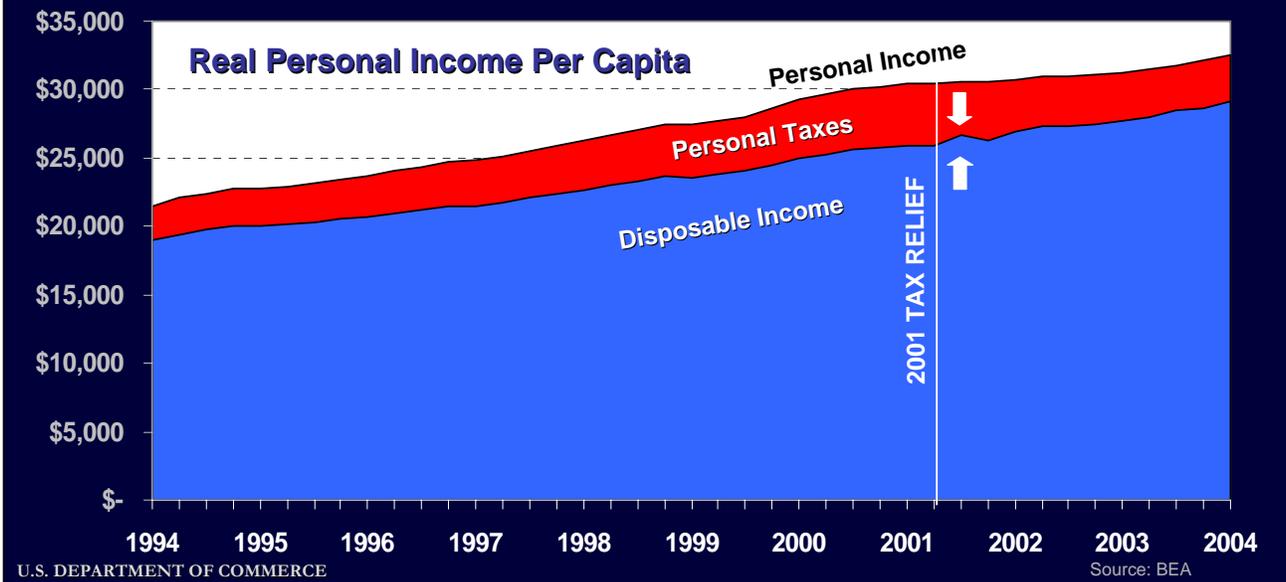


## The U.S. Economy Remains the *Biggest and Strongest in the World*

- The U.S. economy has stood out as the world's fastest growing major industrial economy during the past 3 ½ years.
- GDP *Per Capita* was \$35,736 in 2003. In terms of *Real GDP* (\$10.398 trillion) - no country comes close to America's annual output of goods and services.

# Real Disposable Income

- The tax relief packages allowed American workers to keep more of their income than any point since 1965.
- Personal Income is at an all-time high
- Real after-tax incomes are up by 11% since December 2000 – substantially better than those following the last recession.

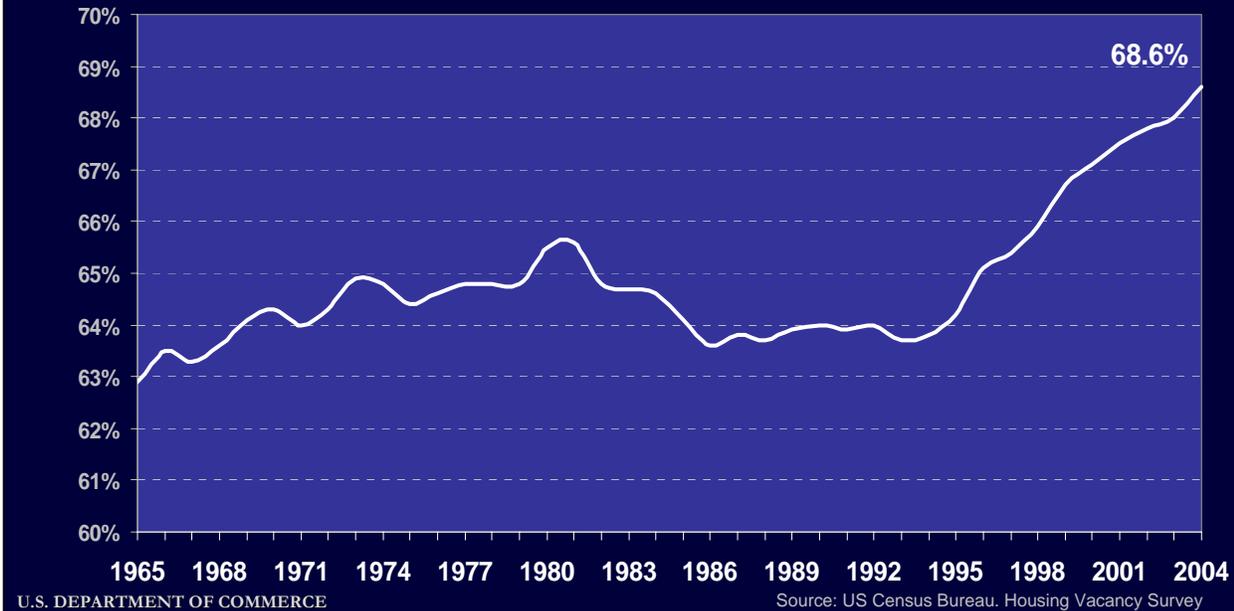


## Americans have More Money to Spend

- Real Personal Income is at an *all-time high*. After-tax incomes are up by approximately 11% since December 2000. **In 2003, Americans were able to keep more of their incomes than in any year since 1965.**
- In 2004, as a direct result of President Bush's tax relief efforts:
  - 111 million individuals and families will receive average tax cut of \$1,586.
  - 49 million married couples will have an average tax cut of \$2,602.
  - 43 million families with children will receive an average tax cut of \$2,090.
  - 14 million elderly individuals will see their taxes fall, on average, by \$1,883.
  - 25 million small business owners will receive an average tax cut of \$3,001.

# Homeownership Rate

- Homeownership is at the highest level ever
- Minority homeownership is also at its highest rate ever

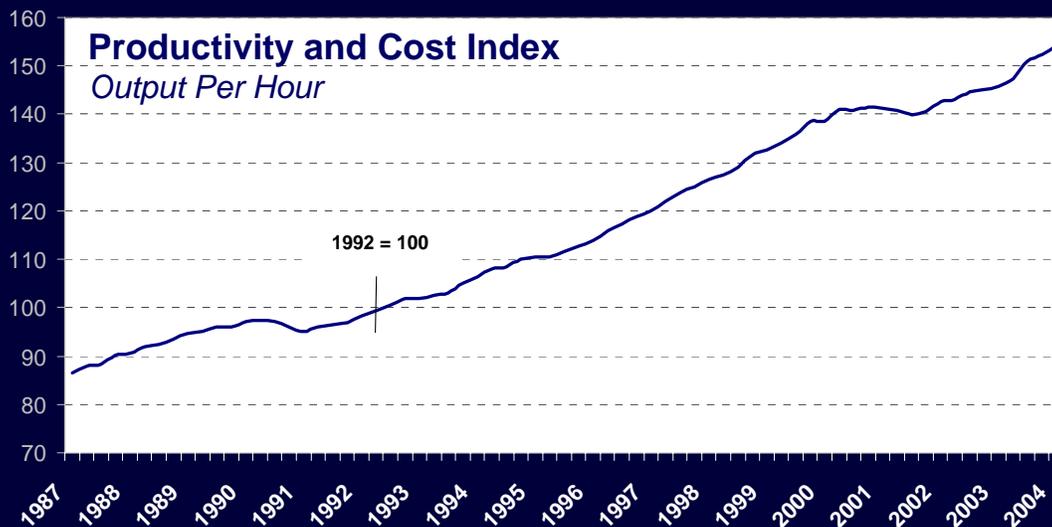


## Homeownership

- Homeownership is at a record high today, with 68.6% of homes owned by their occupants. In 2003 more single family homes were sold than in any other year in history. Since the *Jobs & Growth Act of 2003* was signed, approximately 1.2 million new homes have been sold. Housing starts in 2003 were also at their highest level in 25 years.
- Minority home ownership is at a record high. Since President Bush's *America's Homeownership Challenge* initiative in June 2002, there have been 1.54 million more minority homeowners. Data released for Q4 '03 shows that for the first time ever the majority of minority households are homeowners. The President signed into law the *American Dream Downpayment Act* in December 2003, which is expected to help approximately 40,000 families a year.

# U.S. Productivity

- Productivity grew from 2000 to 2003 at the fastest 3-year rate in more than 50 years. This has bolstered profits and will lead to significantly higher real wages for workers.
- More manufacturers have been reporting increased activity and new orders than at any time in the last 20 years.



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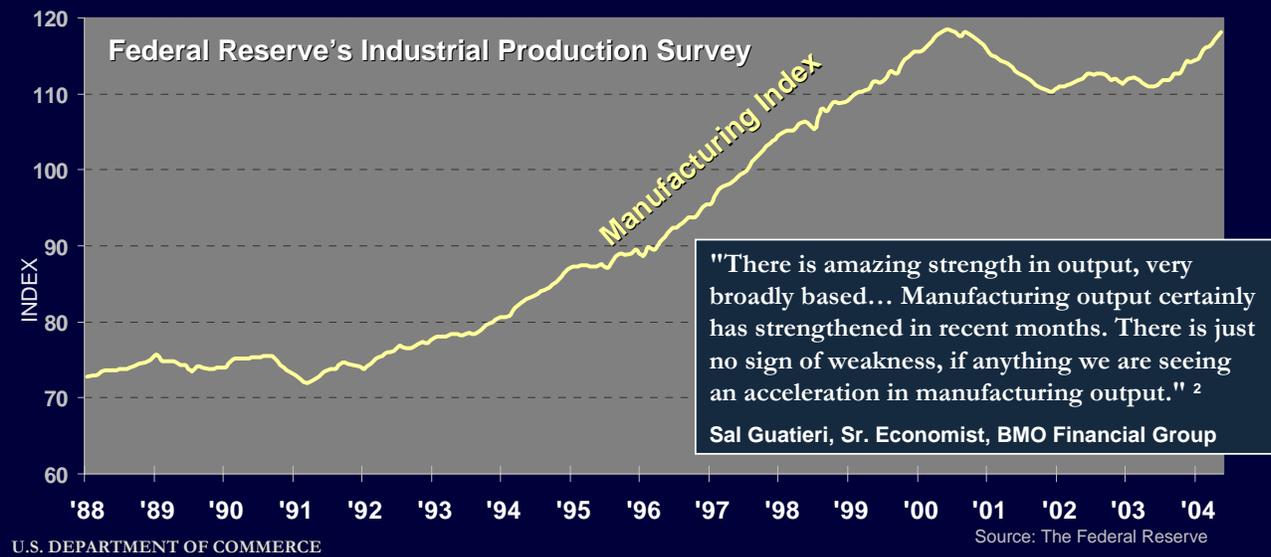
Source: Bureau of Labor Statistics

## Productivity: A Key Measure

- Productivity keeps us competitive in an increasingly global economy and leads to higher profits that in turn lead to significantly higher real wages for workers.
- America's 139 million workers churn out more than \$10 trillion a year in goods and services, making them among the world's most productive.
- Between 2000 and 2003 productivity grew at the fastest 3-year rate in more than 50 years - - *these past 3 years of growth in productivity have even surpassed that of the preceding 8 years.*

# Industrial Production

- U.S. industrial output grew 1.1 percent in May, the biggest jump in nearly six years and nearly double the consensus expectation
- Overall, U.S. industrial capacity usage is at 77.8 percent, a three-year high



## Industrial Production Rising at Fastest Pace in Nearly 6 Years

- Leading manufacturing is the tech sector, which has seen particularly strong performance in recent months, with a 3.5 percent gain in output in May. This is an industry in which the United States continues to be dominant and which provides many high-paying jobs. High-tech production is also a good indicator of future economic expansion.
- National manufacturing employment is up by 64,000 jobs since its low in January.
- The ISM manufacturing survey's employment index reached a 30-year high in May and remained strong in June at 59.7 (*readings above 50 point to growth, indicating further gains in manufacturing employment*). The overall ISM index has now been above 60 for eight straight months, **the longest such stretch since the early 1980s.**

<sup>2</sup> "US Industry Output by Six-Year Record." AFP. June 17, 2004

# Business Outlook

“The U.S. economy is exhibiting strong, balanced, sustainable growth and, most importantly, creating new jobs. Clearly, the President's tax cuts, passed by Congress, were instrumental in underpinning consumption, encouraging investment, and ensuring the continued vitality of the U.S. economy.” **Thomas J. Donohue, President & CEO, U.S. Chamber of Commerce**



“America’s CEOs believe that the U.S. economy will continue to strengthen steadily over the next six months... Along with a continued rise in capital spending and a high level of sales, CEOs expect steady employment gains over the next six months. Our economy appears to have reached a self-sustaining phase of expansion.”

**Hank McKinnell, Pfizer CEO and Chairman of The Business Roundtable**



“[T]his manufacturing recovery looks better and better the deeper you look at it. There is no doubt that the manufacturing recovery is durable, deep and diffuse.”

**Jerry Jasinowski, President, National Association of Manufacturers**



“By industry, every group [in NFIB’s June survey] appears to be looking for employees, and plans to create new jobs far exceed plans to reduce employment by large magnitudes. Construction is seasonally strong, but manufacturing is the second most aggressive industry group, reflecting the strong rebound occurring in that industry... Overall, it is an excellent, balanced hiring picture with jobs being created everywhere.”

**William Dunkelberg, Chief Economist, National Federation of Independent Business**



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## The Business Outlook on the Economy and Job Creation

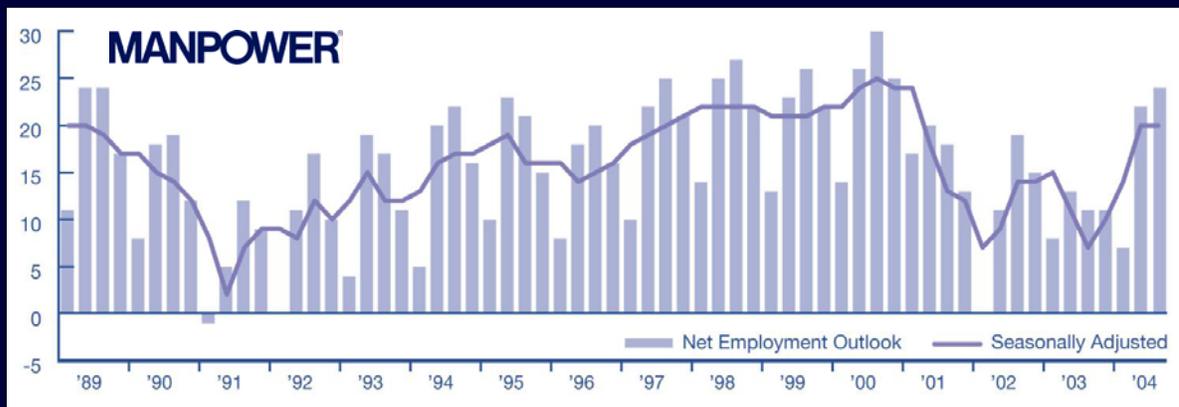
Those who truly *make the economy run* – the businessmen and women who make business decisions everyday and who *create jobs* – are increasingly optimistic on the state of the economy and on the hiring outlook.

- Small business – responsible for creating 7-out-of-10 new jobs and accounting for more than half of the country’s economic output – has a positive outlook on the economy. According to the National Federation of Independent Business’ (NFIB) June 2004 survey, small businesses expects net hiring gains in the coming months for every one of their industry groups and all the regions across the U.S.
- The Business Roundtable reports in its most recent survey of CEOs that over 40 percent expect to increase their capital spending over the next six months and that nearly 40 percent expect to increase their hiring over the same period. The Business Roundtable CEO survey index is at the highest level since its inception.

# Manpower Job Survey

**“In our second quarter survey, U.S. employers reported the strongest employment outlook since early 2001. The fact that employers expect to hire at the same pace in the third quarter suggests that they continue to feel confident about the sustainability of demand for their products and services. This is good news for job seekers across the country,”**

Jeffrey A. Joerres, Chairman & CEO of Manpower Inc.



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Source: Manpower Inc. June 15, 2004

- Manpower Inc.'s latest hiring survey of 16,000 firms shows that 30 percent of U.S. employers plan to add to their payrolls over the summer, up from 20 percent a year ago.

# What's Being Said...

**“We are on a trajectory toward extraordinary growth in the second half of 2004 that will beget stronger job and income growth, stronger retail spending, and accelerating demand at a time when businesses have cut costs, raising profit margins to their highest levels in years”<sup>3</sup>**

Mortimer B. Zuckerman, *Editor-in-Chief*, U.S. News & World Report

**“We are seeing the beginning of a great surge in job creation. Propelling these gains are the accumulated effect of tax cuts...”<sup>4</sup>** Carl Camden, *President*, Kelly Services Inc.

**“News of a third consecutive blowout month for employment gains in May -- released after completion of our survey -- will only further serve to solidify economists' belief that the expansion is now both strong and self-sustaining”<sup>5</sup>** Blue Chip Economic Indicators

**“Because it eliminated the phase-in, the 2003 Bush Tax Cut caused an immediate turnaround in the economy. The after-tax rewards for investment, saving and work effort were increased enough to overcome the elevated level of risk in the economy... Rather than a wimpy recovery, the US has entered a boom.”<sup>6</sup>** Brian S. Wesbury, *Chief Economist*, Griffin, Kubik, Stephens & Thompson, Inc.

**“Those looking for a job are likely to find strong job prospects across the majority of industry sectors surveyed, including Construction, Durable and Non-Durable Goods Manufacturing, Mining, Services and Wholesale/Retail Trade.”<sup>7</sup>**

Jeffrey A. Joerres, *Chairman & CEO* of Manpower Inc.

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## Confidence in the Economy

With economic growth improving and job creation in *full-gear*, business and industry are increasingly upbeat on the economy at large. None are in better position to provide *real time* views than those who truly drive the economy – those making business decisions everyday. Optimism is apparent when talking with business leaders and the economists who regularly monitor the leading economic indicators.

### Sources

<sup>3</sup>*Numbers that Just Plain Sing*. U.S. News & World Report. June 7, 2004

<sup>4</sup>*Kelly Services Sees Strong Labor Market*. United Press International. June 2, 2004

<sup>5</sup>*Blue Chip Economic Indicators*. Aspen Publishing. June 2004

<sup>6</sup>*What Happened to the Wimpy Recovery?* Griffin, Kubik, Stephens & Thompson. June 1, 2004

<sup>7</sup>*Manpower Employment Outlook Survey*. Manpower Inc. June 15, 2004



- New jobs are being created and the unemployment rate is dropping across the country. The economy is *strong and growing stronger*. President Bush’s economic policies *are working*.
- The President’s Jobs & Growth tax relief package helped drive the strong improvement in our economy. It raised the levels of economic activity and productivity, which are resulting in higher incomes and living standards for all American workers.

# More Work to be Done...

**Many Americans are working hard to make ends meet. We must continue to push forward on a pro-growth economic agenda that meets the needs of the American people.**

- ✓ **Making tax relief permanent** - raising taxes now would put the brakes on our growing economy.
- ✓ **Providing worker skills** - preparing Americans for the skilled jobs our economy will create in the years to come.
- ✓ **Controlling health care costs** - giving America's working families greater access to affordable health insurance by providing association health plans and health savings accounts.
- ✓ **Reducing regulation** - ensuring that Federal regulations do not unduly handicap America's entrepreneurs by streamlining regulations and reducing paperwork.
- ✓ **Reducing frivolous lawsuits** - supporting enactment of medical liability reform, class action lawsuit reform, and asbestos litigation reform to expedite resolutions and curb the costs lawsuits impose on American businesses.
- ✓ **Adopting a National Energy Policy (NEP)** - ensuring that America has a reliable and affordable source of energy and reducing our dependence on foreign sources.
- ✓ **Opening new markets overseas** - helping to create jobs at home by expanding markets for America's products and services around the world.

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- Following a series of unprecedented challenges to the economy, economic recovery is well underway -- including new job creation. But President Bush also knows that there is more work to be done -- *until every American that wants a job has a job.*
- America remains the most powerful economy in the world, but we must take steps to ensure that we remain as competitive as possible. This means addressing those issues that impede U.S. competitiveness -- including **excessive litigation, government regulation, and rising healthcare and energy costs**. These are costs that add to the cost of producing goods and services in the U.S. and make our goods less competitive abroad. We must also make the **tax relief** that has helped to fuel this economic recovery permanent, **invest in education** to prepare Americans for *ongoing innovation*, and continue to **open new markets abroad**.
- When we undertake these measures, the U.S. economy will continue to create the jobs that will make our economy even stronger.
- Q&A

# Resources

## U.S. GOVERNMENT DATA SOURCES:

Department	Bureau	Website
U.S. Department of Commerce	Economics & Statistics Administration (ESA)	<a href="http://www.esa.doc.gov">www.esa.doc.gov</a>
	Bureau of Economic Analysis (BEA)	<a href="http://www.economicindicators.gov">www.economicindicators.gov</a>
	U.S. Census Bureau	<a href="http://www.census.gov">www.census.gov</a>
U.S. Department of Labor	Bureau of Labor Statistics (BLS)	<a href="http://www.bls.gov">www.bls.gov</a>
U.S. Department of Treasury		<a href="http://www.treas.gov">www.treas.gov</a>
The Federal Reserve		<a href="http://www.federalreserve.gov">www.federalreserve.gov</a>
<b>NON-GOVERNMENT SOURCES</b>		
Organization	Website	
Institute for Supply Management (ISM)	<a href="http://www.ism.ws">www.ism.ws</a>	
National Association for Business Economics (NABE)	<a href="http://www.nabe.com">www.nabe.com</a>	
International Monetary Fund (IMF) <i>World Economic Outlook</i>	<a href="http://www.imf.org">www.imf.org</a>	
Eurostat (Statistical Office of the European Communities)	<a href="http://europa.eu.int/comm/eurostat/">europa.eu.int/comm/eurostat/</a>	
Economic History Service (Miami University & Wake Forest University)	<a href="http://www.eh.net">www.eh.net</a>	

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